



# Draft Energy Strategy and Just Transition Plan

## Evidence submitted to the Scottish Government 5 May 2023

This is a response to the Scottish Government consultation on a [draft Energy Strategy and Just Transition Plan](#).

### Introduction

The Scottish Government is consulting on a draft Energy Strategy and Just Transition Plan, setting out a vision for transforming Scotland's energy system on the journey to net-zero by 2045. As part of the commitment to net-zero, the Scottish Government has also pledged to adopt the principles of a "just transition" approach, to ensure that everyone benefits from the journey to net-zero, and the outcomes.

With regards to housing, we think this should mean that everyone benefits from a minimum standard of home regardless of tenure, that costs of improving existing homes should not be passed on to those who cannot afford to pay, and that households should not be put at increased risk of poverty because of the costs associated with reaching net-zero.

### Consultation questions

#### **1. What are your views on the vision set out for 2030 and 2045? Are there any changes you think should be made?**

The strategy sets out a vision that by 2045: *Scotland will have a flourishing, climate friendly energy system that delivers affordable, resilient and clean energy supplies for Scotland's households, communities and businesses.* It also sets out several key milestones to be achieved by 2030, including heat in buildings to be used more efficiently and for the energy used to be largely decarbonised. At least one million homes should be decarbonised by 2030.

Housing has a key role to play in achieving the overall vision, not only in preparing for low carbon domestic energy consumption, but in reducing energy need through ensuring all our homes, across tenures, are as energy efficient as possible. Affordability of future energy supply will be an essential component of ensuring a "just transition" and avoiding an increased risk of fuel poverty.

While we agree with the overall vision, the strategy (and other Scottish Government plans) lacks detail in how this will be delivered for housing across all tenures and communities across Scotland. It is unclear how the Scottish Government intends to ensure that future fuel supplies are “affordable”. We need a clear definition in order to drive positive changes.

We need to eradicate energy efficiency as a driver of fuel poverty to ensure that everyone can live in a warm home, and that renewable heating systems are effective and don’t lead to increased bills.

With regards to retrofitting existing homes, there is a lack of clarity from the Scottish Government on the steps that landlords (social and private) and homeowners will be expected to take. It is unclear what measures will be used to ascertain compliance with future energy efficiency requirements leading to questions about what interventions would be most cost effective<sup>1</sup>.

We welcome the clarification that hydrogen is unlikely to play a central role in the decarbonisation of domestic heating. This position needs to be clearly communicated to ensure that landlords, owners and industry focus resources on heat solutions that we know can work, such as heat pumps, improving technology and bringing costs down.

It is still unclear how the necessary retrofit work will be funded. The Scottish Government’s Heat in Buildings Strategy<sup>2</sup> (HiBS) estimates that it will cost in the region of £33 billion to bring homes and buildings up to standard. Over the course of the current parliamentary term, just £1.8 billion has been committed. Significant additional funding to support retrofit will be needed to improve homes without passing costs on to those who can least afford to pay.

Retrofitting homes in mixed tenure tenements will be especially challenging and work to progress any new measures to support tenement repair and improvement, such as the recommendations of the Scottish Parliamentary Working Group on Tenement Repairs published in 2019<sup>3</sup>, has been slow. Tenement retrofits will be costly and complex, requiring agreement and co-ordination between owners for extensive works that could stretch into tens of thousands of pounds. Owners will also require clear advice and information from a trusted source.

## **2. What more can be done to deliver benefits from the transition to net zero for households and businesses across Scotland?**

The transition to net-zero provides an opportunity to create and sustain skilled jobs in new construction methods for housing supply and in retrofit, installation

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<sup>1</sup> <https://existinghomesalliancescotland.co.uk/wp-content/uploads/2023/02/Heating-our-Homes-Knowing-the-Destination.pdf>

<sup>2</sup> <https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings/>

<sup>3</sup> <https://www.befs.org.uk/policy-topics/buildings-maintenance-2/>



and maintenance in existing homes. HiBS estimates that 16,400 jobs will be supported across the economy by 2030 through the deployment of zero emissions heat<sup>4</sup>.

There is clearly a huge opportunity for growth but for this to be achieved, the Scottish Government needs to provide clear leadership, giving confidence to industry to invest in technology and skills, and for consumers to invest in their homes.

To ensure a “just transition” to net zero, low-income households and our remote and rural communities will require additional support. The Existing Homes Alliance (EHA) has published a Rural Homes Just Transition Package<sup>5</sup> calling for the Scottish Government to introduce a specific package of support for people living in rural communities:

- **Financing the transition** – including consideration of investment mechanisms such as collective purchasing; spreading costs through payment plans; community asset ownership where assets such as heat networks are owned by users; and third-party ownership where utility companies or ESCO pay upfront costs and recover these from users over time.
- **Advice and support** – expansion of existing services and build trust through locally based advice and support services that can link into national services.
- **No detriment** – enhanced grant and loan funding to ensure off-gas areas are not faced with unaffordable costs.
- **Private rented and agricultural tenancies** – targeted campaign to ensure landlords and landowners are aware of obligations and the support that is available.
- **Sport for rural businesses** – to ensure small businesses are ready and able to take advantage of the increase in demand for retrofit measures.

We recognise and welcome the uplift to Home Energy Scotland Grants and Area Based Schemes for rural and island homes, but more can still be done, particularly around advice and information, and support for local businesses.

Beyond the needs of rural communities, EHA has set out support requirements for homeowners to navigate the retrofit sector. The ideal customer journey<sup>6</sup> is based on 10 building blocks:

- Effective awareness raising
- One-stop shop approach

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<sup>4</sup> <https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings/>

<sup>5</sup> <https://existinghomesalliancescotland.co.uk/news/rural-homes-just-transition-package/>

<sup>6</sup> <https://existinghomesalliancescotland.co.uk/news/customer-journeys-to-net-zero-homes/>



- Easy access to advice and support via digital and in-person routes
- A range of financial mechanisms
- Building renovation passports
- Post-installation support
- Easy access to redress
- Access to project management/co-ordination services
- Community based services
- Facilitation of demand aggregation

The draft strategy emphasises the importance of local authorities in delivering decarbonisation of heat and we welcome the commitment to providing capacity training to support the development of local Heat and Energy Efficiency Strategies (LHEES). However, we know that local authority resources are stretched and even with additional support at this point, it will be challenging to deliver these plans by the end of the year. Local authorities need support beyond developing strategies to deliver changes on the ground.

#### **4. What barriers, if any, do you/your organisation experience in accessing finance to deliver net zero compatible investments?**

As outlined above, lack of clarity from the Scottish Government on requirements for existing homes has led to some confusion and people delaying investing in their homes.

For the social sector, regulations have required action to be taken already, although to date the vast majority of funding towards the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH) has come from landlords' own investment. If significant additional funding is not made available to support further improvements to social housing, there is a risk that costs will be passed on to tenants through increased rents, that funds will have to be taken from other projects, or that targets simply cannot be met.

One of the main barriers for private households (private landlords and homeowners) is access to clear advice and information about the measures that can be carried out and the support that is available.

Industry also needs certainty to be able to invest in developing new and improved technologies and in training up the workforce.

#### **6. Where do you see the greatest market and supply chain opportunities from the energy transition, both domestically and on an international scale, and how can the Scottish Government best support these?**

The transition to net-zero provides an opportunity to create and sustain skilled jobs in new construction methods for housing supply and in retrofit, installation and maintenance in existing homes. The Scottish Government's Heat in Buildings





Strategy estimates that 16,400 jobs will be supported across the economy by 2030 through the deployment of zero emissions heat<sup>7</sup>.

There is clearly a huge opportunity for growth but for this to be achieved, the Scottish Government needs to provide clear leadership, giving confidence to industry to invest in technology and skills, and for consumers to invest in their homes.

## **27. What further government action is needed to drive energy efficiency and zero emissions heat deployment across Scotland?**

To support improved energy efficiency and the expansion of zero emissions heat, the Scottish Government needs to:

- **Set out a clear plan across all tenures**, specifically providing accessible information about expectations for the private sector.
- **Undertake a proactive and accessible public communications campaign.** This should set out the reasons for action being taken, where responsibility lies for the work that needs to be done, and how to access the right advice, information and support.
- **Provide funding for those who need support** and to ensure that no one is left worse off or at greater risk of poverty as a result of the transition to net-zero.

## **42. Are there any changes you would make to the approach set out in this route map?**

The Scottish Government needs to move quickly and decisively, with clear leadership and accountability across departments to deliver net-zero by 2045. The focus needs to go beyond plans and strategies to scaling up delivery. Comments on specific aspects of the route map which relate to housing are set out below.

### **Investment**

The Scottish Government has committed £1.8 billion to decarbonising our homes and buildings over the course of this parliament but this is not enough to ensure a “just transition” and stop costs being passed on to low-income households.

HiBS estimates that it will cost £33 billion to decarbonise our homes and buildings and while we do not expect the Scottish Government to cover the full costs, much more investment is needed to ensure that people are not put at increased risk of poverty. This could manifest in costs being passed on to tenants through increased rents, increased fuel bills if the correct measures are not installed or if people do not know how to make the best use of new technology, or in funding being diverted from other sources to meet net-zero obligations. For example, social landlords may not be able to invest in support services or delivering new

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<sup>7</sup> <https://www.gov.scot/publications/heat-buildings-strategy-achieving-net-zero-emissions-scotlands-buildings/>



affordable homes if they do not receive additional financial support to meet statutory net-zero targets.

### **Energy demand**

The targets set for reducing energy demand in our homes are ambitious. The Scottish Government is aiming for the majority of homes to meet EPC C (or equivalent) by 2030, but regulations for the private rented sector have been delayed, and there is still no clarity on minimum standards for the owner occupied sector which accounts for over 60 per cent of homes across Scotland. If these targets are to be met, people need time to consider options, source funding and make arrangements. Regulations must be brought forward as quickly as possible, underpinned by an enabling framework of information, advice and financial support.

#### **44. Could any of the proposals set out in this strategy unfairly discriminate against any person in Scotland who shares a protected characteristic? These include: age, disability, sex, gender reassignment, pregnancy and maternity, race, sexual orientation, religion or belief.**

Failure to invest sufficiently will have a negative impact on low income households at risk of poverty which, according to Scottish Government statistics, disproportionately represent younger households (aged 16-24), single mothers, single men, LGBTQ+ adults, ethnic minorities, Muslims, and households including a person with a disability<sup>8</sup>.

#### **45. Could any of the proposals set out in this strategy have an adverse impact on children's rights and wellbeing?**

Failure to invest sufficiently in energy efficiency measures and renewable heating will increase the risk of child poverty. This could manifest in costs being passed on to tenants through increased rents, increased fuel bills if the correct measures are not installed or if people do not know how to make the best use of new technology, or in funding being diverted from other sources to meet net-zero obligations. For example, social landlords may not be able to invest in support services or delivering new affordable homes if they do not receive additional financial support to meet statutory net-zero targets.

#### **48. What are your views on the approach we have set out to monitor and evaluate the Strategy and Plan?**

We welcome the approach suggested, to align with the National Performance Framework, impact assessments carried out in the development of the final plan, the wider just transition monitoring framework, Energy Transition Taskforce, and Climate Change Plan Monitoring and Evaluation Framework. All of these plans and strategies should be working towards a set of shared goals. However, it is difficult to comment on a monitoring and evaluation framework that has not been developed yet.

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<sup>8</sup> [https://data.gov.scot/poverty/#Equality\\_analysis](https://data.gov.scot/poverty/#Equality_analysis)

We also note that the Scottish Government is in the process of reviewing the National Outcomes<sup>9</sup> within the National Performance Framework which may change how this aligns with the new Energy Strategy and Just Transition Plan.

### **About CIH**

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: [www.cih.org](http://www.cih.org).

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<sup>9</sup> <https://consult.gov.scot/national-performance-framework-unit/review-of-the-npf/>